



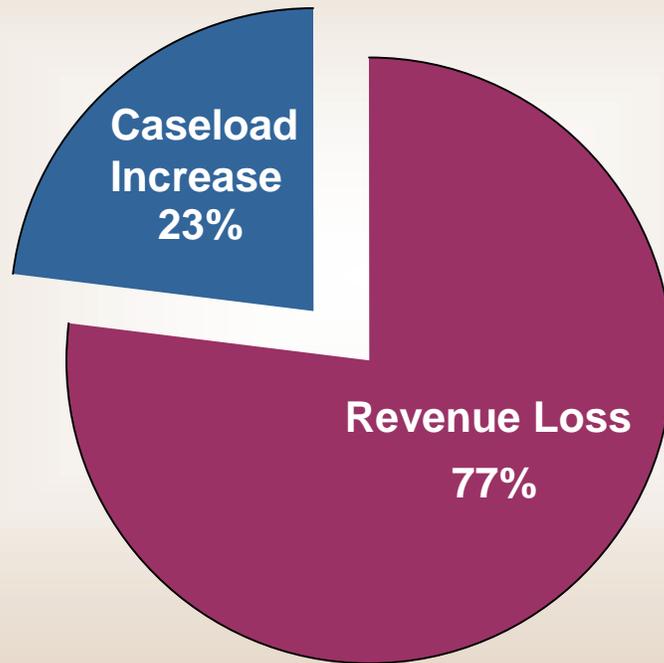
PROPOSED 2002  
SUPPLEMENTAL  
OPERATING BUDGET

BUDGET OVERVIEW

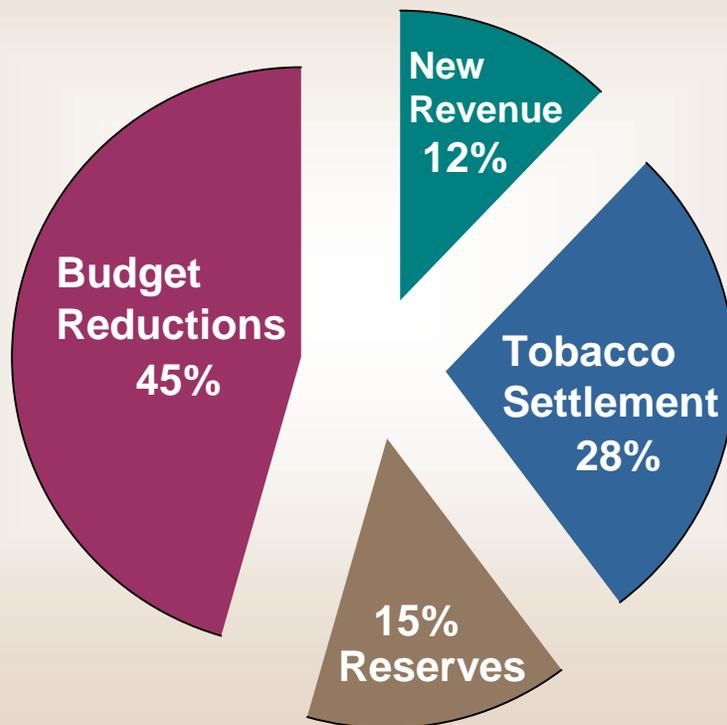
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REPRESENTATIVE SOMMERS, CHAIR  
HOUSE APPROPRIATIONS COMMITTEE  
MARCH 7, 2002

## THE PROBLEM



## THE SOLUTION



## **K-12 Basic Education**

- This budget proposal recognizes the Legislature's obligation to fully fund basic education.
- K-12 education is funded at 8.3% above the level in the 1999-2001 operating budget. Per-student spending is increased by \$367 over the last biennium.
- Voter-approved enhancements to K-12 are maintained: \$391.1 million for I-728 and \$330.5 for I-732.
- In 2001-02 biennium, 210 school districts will share nearly \$296 million in levy equalization funds -- an increase of over \$69 million compared to last biennium.

## K-12 Education

(Dollars in Millions)

<u>Budget Summary</u>	<u>GF-S and SAF</u>	<u>% Chng</u>	<u>Per Pupil</u>
<b>99-01 Final Budget</b>	\$9,459.0		\$4,982
<b>01-03 Current Budget (GF-S and Student Achievement Fund)</b>	\$10,296.4	8.9%	\$5,437
<b>2002 Supplemental Changes:</b>			
Enrollment and Other Budget Drivers	\$97.0		
Levy Equalization (net change)	\$11.2		
Health Benefits and Pension Changes	-\$83.7		
Other Changes	-\$89.6		
Initiative 732 Increase from 3.1% to 3.6%	<u>\$14.5</u>		
<b>01-03 Budget With Supplemental</b>	\$10,245.8		\$5,349
<b>Revised 01-03 Compared to 99-01 Final Budget</b>		8.3%	

<u>Major Items Funded in the 2002 Supplemental</u>	<u>Amount</u>
1 Initiative 728	391.1
2 Initiative 732	330.5
3 Levy Equalization Total Funding	295.9
4 Enhanced K-4 Staffing Ratio Over Basic Ed Act Requirement	227.3
5 Learning Improvement Days	36.2
<b><u>Program Reductions and Eliminations</u></b>	
6 Eliminate Better Schools Program	(38.6)
7 Eliminate Block Grants	(14.2)
8 Safety Net - Use Fed Funds	(10.9)
9 Learning Assistance Program - Fed. Funds	(5.9)
10 Reduce Special Ed Enrollment Maximum	(4.4)
11 Eliminate Reading Corps	(3.8)
12 Eliminate Summer Vocational Ed	(2.1)
13 Eliminate Traffic Safety Ed Allocation	(2.0)
14 Eliminate Education Technology Centers	(2.0)
15 Eliminate Math Helping Corps	(1.8)
16 Reduce Levy Equalization	(1.5)
17 Eliminate Educational Centers	(1.3)
18 Eliminate Complex Needs	(1.1)
19 Assessment System Funding - Use Fed Funds	(1.0)
20 Reduce Administrative Budget	(0.5)

# Higher Education

- This budget proposal recognizes the huge demand for admission to our colleges and universities are facing, and maintains enrollment capacity.
- To provide economic opportunities for those hardest hit by the economic downturn, 1,500 additional enrollments are available to displaced workers seeking retraining.
- We maintain our commitment to the new Technology Institute at University of Washington-Tacoma, keeping Washington businesses on the cutting edge of the new economy.
- Higher education funding is increased by 7.8% over the 1999-2001 level.
- Colleges and universities are given additional tuition flexibility to cover reductions in state support.

## Higher Education

(Dollars in Millions)

<u>Budget Summary</u>	<u>GFS \$</u>	<u>% Change</u>
<b>99-01 Final Budget</b>	2,548	
<b>01-03 Current Budget</b>	2,800	9.9%
2002 Supp: Policy Increases	10	
2002 Supp: Compensation Reductions	(19)	
2002 Supp: Reductions	(44)	
<b>01-03 Budget With Supplemental:</b>	2,747	
<b>Revised 01-03 Compared to 99-01 Final Budget</b>		7.8%

### Selected Increases (GFS Only)

1	CWU Enrollment Recovery	0
2	Expand Worker Retraining Program	6
3	State Need Grant	3
4	Initiative 732 COLA Increase	1

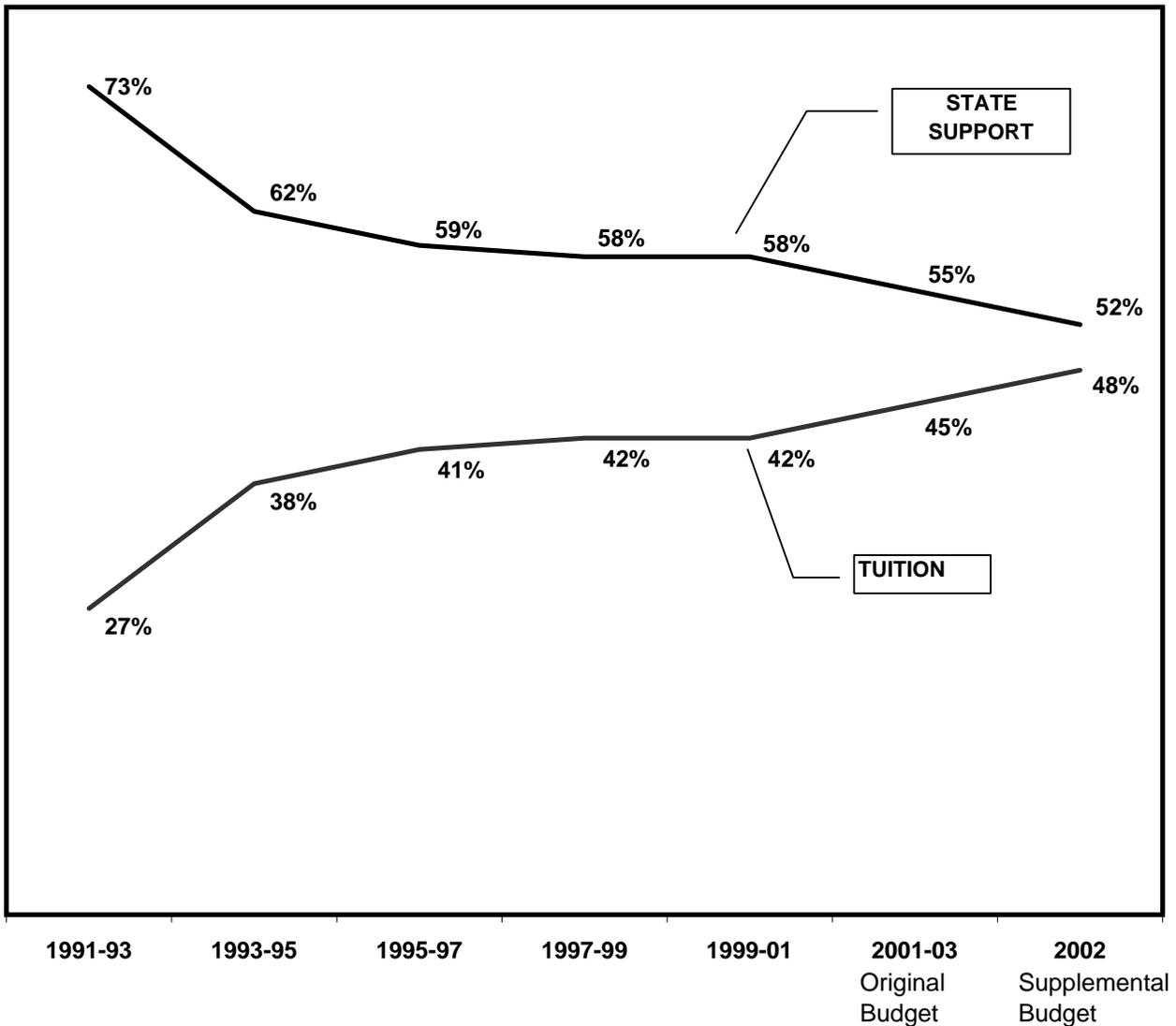
### Selected Reductions (GFS Only)

		<u>Amount</u>
1	Health Benefit Changes	(11)
2	Pension Rate Change	(2)
3	Compensation Reduction	(7)
4	HECB Efficiencies and Savings	(2)
5	SIRTI Reduction	(1)
6	Promise Scholarships	(1)
7	Operating Cost Reduction	(41)

Institutions have flexibility to increase tuition to partially recover operating reductions up to the maximum amounts listed below:

University of Washington	16%
Washington State University	16%
Central Washington University	14%
Eastern Washington University	14%
The Evergreen State College	14%
Western Washington University	14%
Community and Technical Colleges	12%

## Tuition has increased from 27% to 48% of higher education costs over the past ten years



# Public Safety

- The House budget recognizes the increased caseload faced by the Department of Corrections and adds \$36.5 million for supervision and treatment.
- We move crime solving into the 21<sup>st</sup> century by expanding the state's DNA databank.
- We shut the revolving door of low-level drug offenders shuttling through our criminal justice system by shifting our focus from incarceration to strong local treatment programs, as requested by county prosecutors.

## Department of Social & Health Services

(Dollars in Millions)

<u>Budget Summary</u>	<u>GFS \$</u>	<u>% Change</u>
<b>99-01 Final Budget</b>	5,300	
<b>01-03 Current Budget</b>	6,182	16.7%
2002 Supp: Caseload changes	98	
2002 Supp: Policy Increases	9	
2002 Supp: Reductions (Excl. Vendor Rates)	<u>(201)</u>	
<b>01-03 Budget With Supplemental:</b>	6,089	
<b>Revised 01-03 Compared to 99-01 Final Budget</b>		14.9%

### **Selected Reductions (GFS Only)**

	<b>Amount</b>
1 <b>Admin Supp -- Streamlining</b>	(7.1)
2 <b>Vocational Rehab -- Extended Suppt Services</b>	(0.3)
3 <b>Alcohol/Subst Abuse</b>	
4 Eliminate TASC Program	(3.5)
5 Substance Abuse Treatment Reduction	(2.8)
6 Reduce Recovery House & ITA Beds	(1.8)
7 <b>Economic Svcs Admin</b>	
8 State SSI Supplement	(10.0)
9 Increased SSI Recoveries for GA-U	(2.7)
10 Assume Immigrant Food Asst. savings	(4.5)
11 Fund Shifts in ESA	(2.0)
12 Various Admin Changes to GAU	(17.0)
13 <b>Children &amp; Family</b>	
14 Eliminate Secure CRCs	(4.7)
15 Reduce Therapeutic Child Development	(2.0)
16 Eliminate Continuum of Care	(1.7)
17 Reduce Family Reconciliation Services	(1.7)
18 Eliminate Special Projects	(0.6)
19 Eliminate Family Policy Council	(1.3)
20 Centralize After Hours Programs	(1.2)
21 Eliminate Alternative Response System	(1.2)
22 Eliminate Public Health Nurses	(1.1)
23 Efficiency Reductions	(0.8)
24 Eliminate Incr. Child Placing Slots	(0.7)
25 DD Parent Participate in Support	(0.7)
<b>Selected Reductions (GFS Only)</b>	
26 Eliminate CRC Assessments	(0.1)
27 Reduce HOPE beds underutilization	(0.6)

28	Eliminate FY 03 RLSP bed increase	(0.3)
29	Eliminate FY 03 basic rate increase	(0.9)
30	Pediatric Interim Care Fund Shift	(0.6)
31	<b>Mental Health Division</b>	
32	Adjust RSN Inpatient Rates	(4.4)
33	Eliminate RSN Reserves (FY03)	(16.0)
34	Community Services Reductions	(1.9)
35	PALS and ESH Ward Closures	(0.6)
36	Reduce Research and Training	(0.4)
37	Secure Community Facil Reduction	(2.0)
38	<b>Developmental Disabilities</b>	
39	Freeze Case Manager Hiring	(2.6)
40	Reduce RHC Staffing	(1.4)
41	Reduce Professional Services	(0.4)
42	Eliminate Prof. Services Contracts	(1.2)
43	VPP Parent Pay	(0.7)
44	Realign Funding for ODHH	(1.8)
45	<b>Medical Assistance</b>	
46	Increase Discount on Pharmacy Reimbursement	(17.5)
47	Cost Containment & Utilization	(10.0)
48	Interpreter Services Efficiencies	(1.0)
49	OPPS Rate Reduction	(1.1)
50	Reduce Medically Indigent	(11.0)
51	Shift Legal Immigrant & Undocumented Kids to BHP	(21.0)
52	Fund Shifts in MAA	(8.6)
53	Reduce Spousal Asset Protections	(0.3)
54	<b>Long-Term Care</b>	
55	Nursing Home Rate Reductions	(11.0)
56	Assisted Living Rate Reduction	(1.4)
57	Reduce Spousal Asset Protections	(2.7)
58	<b>Juvenile Rehabilitation Admin</b>	
59	Truancy Petitions	(3.4)
60	Closure of Mission Creek Youth Camp	(1.5)
61	Comm Trans Options for Youth	(1.1)
62	Juvenile Violence Prevention Grant	(0.8)
63	Restructure Parole Services	(1.2)
64	Diagnostic Services Rate Adjustment	(0.3)
65	Comm Opt for Lower-Risk Offenders	(0.3)
66	Reduce Employment Services	(0.3)

## **Natural Resources**

- The last fire season was especially deadly and destructive. This proposal provides \$31.7 million to cover the costs incurred to fight over twenty large wildfires in July and August of 2001.
- We continue our commitment to protecting our fragile environment by keeping the rescue tug in Neah Bay.
- This proposal increases our efforts to make clean water available for farms, families, and fish.
- The Thea Foss waterway site will receive the state share of cleanup cost.

## Department of Corrections

(Dollars in Millions)

<u>Budget Summary</u>	<u>GFS \$</u>	<u>% Change</u>
<b>99-01 Final Budget</b>	914	
<b>01-03 Current Budget</b>	1,040	13.7%
2002 Supp: Caseload changes	41	
2002 Supp: Policy Increases	0.1	
2002 Supp: Reductions	(14)	
<b>01-03 Budget With Supplemental:</b>	1,067	
<b>Revised 01-03 Compared to 99-01 Final Budget</b>		16.7%

### Major Items Funded in the 2002 Supplemental

**Amount**

1	Motor Vehicle Theft	0.1
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### Selected Reductions (GFS Only)

**Amount**

1	Drug Offender Sentencing	(0.1)
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2	Efficiencies and Savings	(2.3)
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3	Community Supervision Changes	(9.2)
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4	Other Efficiencies	(2.2)
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## Efficiencies and Savings

- All agencies must “share the pain” in making reductions
- Savings will result from:
  - ✓ Hiring freezes
  - ✓ Travel restrictions
  - ✓ Equipment reductions
  - ✓ Other administrative actions
- The Legislature (House and Senate) as well as state-wide elected officials’ budgets are reduced by 5 percent; other agencies, including the judicial branch, are reduced by 3%.
- Funding pools are created for the executive and judicial branches of government to address any unforeseen, emergent needs.
- Direct general fund savings total \$24 million from state agencies and \$41 million in institutions of higher education.

## Natural Resources

(Dollars in Millions)

<u>Budget Summary</u>	<u>GFS \$</u>	<u>% Change</u>
<b>99-01 Final Budget</b>	305	
<b>01-03 Current Budget</b>	356	16.6%
2002 Supp: Caseload changes	-	
2002 Supp: Policy Increases	4	
2002 Supp: Reductions	(38)	
<b>01-03 Budget With Supplemental:</b>	322	
<b>Revised 01-03 Compared to 99-01 Final Budget</b>		5.6%

<u>Major Items Funded in the 2002 Supplemental</u>	<u>Amount</u>
1 Water Strategy Legislation	0.8
2 DNR Correction Camps	0.7

<u>Selected Reductions (GFS Only)</u>	<u>Amount</u>
1 Watershed Grants Funding Shift to Water Quality	(11.9)
2 Temporary Park Closure	(2.2)
3 Ecology Service Reductions	(5.6)
4 Fish & Wildlife Service Reductions	(4.7)
5 Other Natural Resource Reductions	(3.1)

Dept. of Natrual Resources Fire suppression \$24.2 million funded from Nisqually Account.

## **Social and Health Services**

- This proposal takes a first step toward containing the skyrocketing increases in prescription drug costs.
- Continuing our commitment to provide children permanent homes, this budget proposal increases funds for foster child adoptions.
- We provide enhanced mental health services in juvenile rehabilitation institutions and community facilities.
- We maintain Washington State's commitment to providing health care for low-income families and children.
- Prevention measures have resulted in a falling juvenile crime rate, allowing us to close one facility.

# House Compensation Package

GF-S in Millions

	Proposed Savings
State & Non-732 Higher Education Employees	
COLA adjustment (2% in Sept, 2002)	-15.1
Pension Savings (HB 2782)	-63.2
Health Benefit Changes	-53.3
\$10 to \$20 Employee Copay	
15% pharmacy Savings	
10% minimum premium cost	
Vendor Rate COLA Adjustment (2% in Sept, 2002)	-10.0

# Compensation

- Balancing the critical need to maintain a well-trained workforce with the realities of our fiscal crisis, we provide a cost-of-living adjustment for state and higher education employees.
- Like many in the private sector, we are asking these employees to make a larger contribution for their health care benefits.
- Vendors providing essential state services will also receive a cost-of-living adjustment.

# 1999-01 and 2001-03 Balance Sheet

## General Fund-State

Dollars in Millions

	1999-01	2001-03
<b>RESOURCES</b>		
<b>Beginning Fund Balance</b>	<b>\$462.0</b>	<b>\$599.7</b>
November 2001 Revenue Forecast	21,261.9	21,208.7
February Forecast Update	0.0	(246.8)
Tobacco Securitization	0.0	450.0
2002 Supp: Revenue Package & BDR	0.0	204.8
<b>Current Revenue Totals</b>	<b>\$21,261.9</b>	<b>\$21,616.7</b>
Changes in Reserves and Other adjustments	(1.0)	
<b>Total Resources (Revenue/Fund Balance)</b>	<b>\$21,722.9</b>	<b>\$22,216.4</b>
<b>SPENDING LIMIT AND APPROPRIATIONS</b>		
<b>Biennial Appropriation</b>	<b>20,851.2</b>	<b>22,783.2</b>
2001 Supplemental	194.5	
2002 Supplemental		(335.0)
<b>Spending Level</b>	<b>21,045.8</b>	<b>22,448.2</b>
<b>I-601 Expenditure Limit</b>	<b>21,063.4</b>	<b>22,916.3</b>
<b>UNRESTRICTED GENERAL FUND RESERVES</b>		
Unrestricted Balance	677.1	(231.8)
Money Transfers into General Fund	121.0	228.0
2002 Supp: ERF Transfer to GFS		375.0
2002 Supp: Other Money Transfers to GFS	0.0	(87.2)
Transfer to Emergency Reserve Fund	(198.4)	0.0
	<b>599.7</b>	<b>284.0</b>
<b>EMERGENCY RESERVE FUND</b>		
Beginning Balance	535.7	461.9
New Deposit (Revenue > Limit)	198.4	0.0
Emergency Reserve Transfers to Transportation	(35.0)	(70.0)
Interest Earnings	61.8	10.6
Deposit to Education Construction	(240.8)	0.0
Earthquake/Drought	(58.3)	(25.0)
2002 Supp: Transfer to GFS	0.0	(375.0)
<b>Emergency Reserve</b>	<b>461.9</b>	<b>2.4</b>